

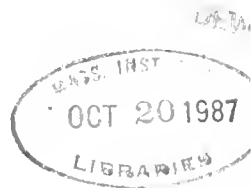








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no. 1888-87



INDUSTRIAL RELATIONS AGENDA FOR CHANGE:

THE CASE OF THE UNITED STATES

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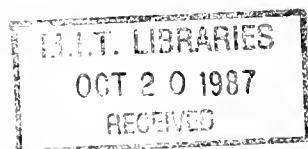
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INDUSTRIAL RELATIONS AGENDA FOR CHANGE:  
THE CASE OF THE UNITED STATES

by  
Thomas A. Kochan  
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INTRODUCTION

Over the past several decades all of the advanced industrial societies have experienced growing pressures on the institutions governing their industrial relations systems. These pressures can be traced to long-term changes in the nature of the international economy, and have manifested themselves in different ways from one country to another. The cases of the OECD member countries are strikingly similar, however, insofar as general macro-economic problems (in the US, sluggish productivity growth and large trade deficits) have generated the pressing need for thorough-going changes in the ways in which the government, organized labor and businesses deal with one another.

It has become increasingly obvious that widespread economic problems require solutions that depend critically on the active participation and cooperation of all three parties to the employment relationship. The tasks of revitalizing our industrial base and international competitiveness, while simultaneously avoiding a decline in the general standard of living, demand new forms of industrial relations. Although the shape of this imminent transition has not yet become clear,

a variety of experiments and changes have taken place in industrial relations' in the United States during the first half of the 1980s which the parties can now begin to evaluate and learn from. The nature of the system that ultimately emerges out of this transition process will be determined in large measure by the environmental conditions within which labor, business and government actors operate, and by the strategies those actors adopt as they continue to pursue the variety of organizational and industrial relations adjustment processes initiated in recent years.

The main purpose of this paper is to lay out the historical and environmental contexts in which the current changes are taking place in the United States. We will describe and document contemporary trends in employment and industrial relations, suggest some areas in which we believe problems are likely to emerge or intensify over the coming decade, and point to some avenues and opportunities for constructive change. Underlying our discussion is the central premise that sustaining and diffusing changes in industrial relations will be necessary to achieving a solution to the broader macro-economic pressures of the day.

#### HISTORICAL AND STRUCTURAL BACKGROUND:

##### THE NEW DEAL SYSTEM

To understand the nature and significance of contemporary developments we first need to characterize the essential

functions of the industrial relations system, which were shaped in the 1930s by the government policies of the New Deal. The primary feature of the New Deal industrial relations system was that it relied on collective bargaining as the preferred means for setting the terms and conditions of employment in the largest companies in the US. The principles and policies established in collective bargaining were in many ways then replicated in nonunion firms and sectors of the economy. The collective bargaining process itself was considered to be the best method of accomodating a "mixed" adversarial/cooperative relationship between workers and business enterprises.

One of the primary attractions of this method of regulating industrial relations was that it was consistent with a non-interventionist policy on the part of the federal government. The National Labor Relations Act (NLRA), passed in 1935, essentially established rules governing the processes of union organizing and the negotiation of contracts, but did not specify the substantive content of these contracts. Management was required to bargain in good faith, but what was agreed to was left up to the private parties. This approach was consistent with the "pragmatic" and "business unionist" philosophy of American labor, and did not challenge the fundamental principles of free enterprise which the American business community staunchly defended.

In return for their role in negotiating wages, hours and working conditions, unions accepted managerial control over strategic decision making and the organization of shop floor production process.

Labor pursued a sort of "job control unionism" which narrowly delineated tasks and work jurisdictions within those managerially defined processes. An equally formalized grievance and arbitration procedure ensured that disputes over the interpretation of agreements were settled impartially, and when necessary by a third party. Within the limits thus defined in highly complex and formalized contracts, management maintained its rights to make basic investment, technology, production, and related strategic decisions.

The institutional structure for industrial relations operated within, and over time came to support, a Keynesian macro-economic policy that encouraged economic growth through the maintenance of high levels of purchasing power. These policies were accompanied by an expanding domestic market fueled first by wartime production demands and later by a mixture of consumer and government demand for manufacturing goods, as well as growing economies of scale. In combination, these circumstances provided steady productivity growth which could support rising incomes and standards of living. Collective bargaining became adapted to this environment over time, establishing wage setting principles and structures to "take wages out of competition" by standardizing wages across US firms competing in the same product and labor markets. More generally, the collective bargaining process adjusted wages upward in ways consistent with long run increases in productivity and the cost of living. Yet because collective bargaining remained highly decentralized, there was sufficient variation in bargaining outcomes that contracts could

be responsive to the specific economic circumstances of individual industries and firms.

Thus, the complex, decentralized, collective bargaining-oriented job control unionism of the New Deal System contained features that were attractive to leaders in government, businesses and labor. For the government the system established rules to regulate labor-management relations without requiring substantive (as opposed to formal or procedural) state intervention. For the business community it stabilized a potentially volatile workforce and limited unions' influence in management to the areas of wages, hours and working conditions. For union leaders, New Deal industrial relations provided the foundation for what would be a rapidly growing union base, and a rapid growth in the level of wages for unionized workers.

#### The American Federation of Labor and Congress of Industrial Organizations

The umbrella association for the vast majority of American unions is the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO). The AFL was founded in 1886 to represent the combined interests of the nation's craft unions. Craft unions represent skilled workers in a variety of plants, firms and industries, and generally focus on the definition, status and defense of relatively narrow occupational jurisdictions. Industrial unions channel their efforts toward representing all the workers -- regardless of skill or job definition -- in a given plant, firm or industry. The Congress

of Industrial Organizations (CIO) was created in 1938, to coordinate the activities of several emergent industrial unions that broke away from the AFL in 1935. The AFL and the CIO merged again in 1955 with the intention of forming a unified national labor federation. Both before and since the merger the primary function of the federation has been to represent workers' interests in political affairs through lobbying, political endorsements, research, education, and communications and public relations. The memberships and the revenues of the ten largest unions in the US in 1984 are shown in Figure 1.

While labor generally alligns with candidates from the Democratic Party in national elections, exceptions to this pattern are fairly common at the state and local levels. At these levels, candidates from the Republican party who are responsive to unions' interests sometimes receive organized labor's support. Moreover, the largest union not presently affiliated with the AFL-CIO (and, indeed, the largest in the country), the International Brotherhood of Teamsters, has generally supported Republican candidates in recent presidential elections.

The political influence of labor in the US should not be entirely discounted simply because of the lack of a labor party, or because of the very loose affiliation between labor and the Democratic Party. Labor's influence over broad areas of social and economic policy has varied considerably over the years. Most would agree that its influence at the national level has been limited in the 1980s by the conservative philosophies and

policies of the Reagan Administration and the ascendancy of a more conservative political climate in the country. Still, over the years the labor movement has been one of the most influential forces behind passage of and improvements in major bodies of civil rights, occupational safety and health, minimum wage, pension reform and social security legislation (Goldberg 1976). However, compared to the more socially and politically active labor movements of most other OECD countries, the US labor movement stands out as being:

- (1) less committed to any sort of socialist ideology or political agenda;
- (2) less formally integrated into and aligned with the agenda of a single political party; and
- (3) more interested in policies that foster decentralized collective bargaining (rather than comprehensive legislation governing the workplace).

Later in this paper we argue, as other have done, that the political role of the American labor movement will become increasingly important in the years to come.

### Unionization Levels

Between the mid 1930s and the 1950s private sector unionism grew at a rapid rate. In 1932 only 10% of the non-agricultural workforce was unionized; in 1955 that figure had increased to an all-time peak of 35%, and declined slightly toward the end of the 1950s. But while private sector unionism slid into a steady decline in the 1960s, from the mid 1960s onward there was a burst of public sector unionization, which grew from 12% to 40% of all

public sector workers between 1960 and 1980 (Burton 1979). Public sector workers now account for more than a third of all union members in the US. Unionization on the whole has declined steadily since the late 1950s, however, and currently is the lowest among the OECD countries, at only about 17% of the labor force in 1986.

### Employer Associations

Paralleling labor's focus on collective bargaining and the decentralized nature of industrial relations in the US, peak employer associations have played limited roles in the US context. The three major peak employer associations are the National Association of Manufacturers (NAM), the Chamber of Commerce and the Business Roundtable (Windmueller and Gladstone 1984). All of these have generally opposed legislation designed to expand or strengthen worker rights and union power. However, from time to time these organizations have engaged in legislative activity that has weakened the protections and rights extended to unions under US labor law. The most notable example is the 1947 Taft-Hartley Act, which imposed restrictions on unions' use of secondary boycotts and closed shops, and gave states the right to outlaw union shop clauses in collective bargaining agreements. But beyond lobbying to counter union influence, these associations have never been major forces in shaping employer approaches to US industrial relations. Rather, the center of power on the management side of industrial relations lies at the level of the individual corporation. It is true that patterns of



collective bargaining and the shapes of contracts were set by certain industry models, perhaps most importantly that of the automobile manufacturing sector. But labor-management relations remained determined primarily on a firm-by-firm (or plant-by-plant) basis.

The major exceptions to plant- or firm-centered industrial relations were found in those industries where the structure of bargaining was coordinated on an industry-wide or regional basis, as in steel, coal, trucking and construction. As bargaining in these industries centralized, employer associations organized to coordinate management strategy, and to represent member firms at the bargaining table (Windmueller and Gladstone 1984). In recent years, however, the power and influence of these industry associations have declined considerably, paralleling the decline (or, as in steel, the demise) of industry-wide bargaining (Freedman and Fulmer 1983).

### Labor Law

The two primary pieces of labor legislation of the New Deal system are the Railway Labor Act (RLA) of 1926, which initially applied only to railroads but was later extended to airlines and trucking, and the National Labor Relations Act (NLRA) of 1935, which covers most industries in the economy. The RLA entails elaborate dispute resolution mechanisms administered for the most part by the National Mediation Board (NMB). Provisions for extensive mandatory mediation and voluntary arbitration procedures under the RLA were effected in the interest of

minimizing work stoppages in the transportation sector, which was believed to be vital to the national interest. The dispute resolution procedures of the NLRA are less encompassing. Over the postwar period, the tendency of the NLRA's National Labor Relations Board (NLRB) has been to defer dispute resolution to arbitration procedures voluntarily agreed to by the parties to the employment relationship. To date, grievance arbitration remains the most common form of dispute resolution for issues pertaining to day-to-day interpretations of labor contracts. But since 1960, with the growth of legislation and regulations governing worker rights, federal and state courts have come to play an increasingly important part in adjudicating worker-employer disputes over discrimination, safety and health and a range of other workplace issues.

Formal arrangements for labor-management cooperation in the US have historically been quite limited. War Labor Boards were established during both world wars to ensure price stability and low levels of labor strife during wartime. Since the second War Labor Board there have been only a small number of government-initiated labor-management forums. Most of these were short-lived, such as President Kennedy's Labor-Management Advisory Panel. Most were also focused on specific issues like the wage-price guidelines and controls of the Nixon, Ford and Carter Administrations in the 1970s (Moye, 1980). There have been a small number of private labor-management groups that have met to discuss issues of national importance. However, most of these have tended to avoid labor policy issues, since it has

seldom been possible to reach any consensus in this area.

### Tripartite Consultation

In recent years, however, in the face of increasing international competitive pressures on the US economy, a number of public and private groups of management, labor and government leaders have begun to meet in order to search for ways to improve the performance of the US economy. If history is any guide, it will be very difficult for these groups to come to agreement on matters affecting labor and human resource policy, and even harder to generate the political influence and discipline needed to implement any recommendations reached. However, the emergence of such groups may have an important subtle and indirect influence on the nature of the policy agenda. For instance, they may illuminate some areas of shared understanding about how labor and employment policies should fit into broader national economic policies, or establish informal communication networks among labor and management leaders.

It is consistent with the decentralized nature of US industrial relations that labor-management cooperation has been most visible at the community level, and within individual collective bargaining relationships. At present, there are approximately forty community level labor-management committees in the US. Most of these are concerned with improving the climate of labor-management relations, in the hopes of attracting greater economic development resources. The more active among them also provide training and technical assistance to firm-level

cooperative efforts. A few of these committees have sometimes provided mediators during strikes (Cutcher-Gershenfeld 1986).

We return to the role of cooperative labor-management efforts in specific bargaining relationships below. For the time being, suffice it to say that while the number and scope of cooperative activities have increased in recent years, such efforts have not been widely diffused across industries. Indeed, one of the central strategic questions for the future of US industrial relations is whether and how such experiments should be encouraged, diffused and institutionalized.

#### The Role of the Federal Government

Also in keeping with the decentralization of labor-management relations in the US, the role of the federal government has historically been quite limited when compared with most major industrialized countries. As noted above, the main pieces of labor legislation were promulgated for railroads in the 1920s and for general industry in the 1930s. Since that time, major modifications to the legislative framework shaping private sector collective bargaining have been made only twice. In 1947 the Taft-Hartley amendments placed limits on picketing, boycotts, and other selected union tactics. In 1957 the Landrum-Griffin Act sought to protect individual union members' rights from abuse by union leaders and imposed financial reporting and disclosure responsibilities on unions. Thus while new collective bargaining rights were granted to federal government and a majority of state and local government workers in the 1960s and 70s, no significant

strengthening of the collective bargaining rights of private sectors workers has occurred since the 1930s. This is true even though the law has become less effective in the 1970s and '80s in achieving its intent, particularly with respect to protecting the rights of workers to organize.

The reticence of the government to strengthen worker and union rights under the NLRA was clearly signalled by the failure of comparatively mild labor law reform legislation in 1978. The reforms were designed to stiffen penalties imposed on labor law violators, and to reduce delays in representation elections. The defeat of this legislation can be attributed in large measure to the opposition of individual large corporations, the Business Roundtable and the National Association of Manufacturers.

On the other hand, the 1960s and '70s did see a rapid increase in the amount and scope of legislation affecting employment directly. Such legislation created the Occupational Safety and Health Administration (OSHA) and Affirmative Action and Equal Opportunity Employment (AA/EEO) programs, and the Employee Retirement and Income Security Act (ERISA). However, the period since 1978 has again been marked by a shift toward more laissez-faire federal economic and labor policies. This is signalled, for example, by recent deregulation affecting the airline, trucking, railroad and communications industries.

While extensive decentralization continues to characterize contemporary US industrial relations, the foundations of the New Deal system that supported such decentralization have begun to erode. Case-by-case experiments with new forms of

labor-management relations -- both including and excluding unions -- are of increasing scope and importance. We now turn to consider the environmental pressures that have produced these changes, and the measures taken by labor and management organizations to cope with them.

## THE CHANGING ENVIRONMENT

### The Economy

The underlying stimulus to the changes occurring in collective bargaining and industrial relations in the 1980s can be traced in large measure to the continued weak performance of the economy. Output per hour in the US has lagged since the late 1970s. Productivity growth remains sluggish both by the historical standard of 3% established in the two decades following World War II, and compared to our major trading partners and the newly industrializing nations. For instance, between 1979 and 1983, the average annual percentage growth in US productivity was only 0.2%, as against 2.6% for Japan, and 1.3% for Western Europe in the aggregate (OECD 1986). In the fourteen quarters of recovery since the recession of 1982-83, productivity gains in the business sector have been the lowest of any similar recovery period since 1949 (though in manufacturing the recovery has been stronger; see Table 1) (Fulco 1986).

Another important development affecting the US economy in general, and collective bargaining in particular, has been the growing trade interdependence of the world economy and the

declining performance of American firms in world markets. In the 1970s the percentage of US Gross National Product (GNP) attributable to exports and imports grew steadily; by 1986 exports accounted for approximately 9% of the GNP, and imports for another 11.4%. Moreover, the US trade deficit grew immensely in the first half of the 1980s from \$9 billion in 1982 to \$170 billion in 1986. Deficits in our bilateral trade balances further suggest that the problem of American competitiveness is not limited to one or two countries. Rather, between 1982 and 1985, deficits increased with Canada (\$4.6 billion), Japan (\$29.8 billion), Western Europe (\$21.1 billion), Latin America (\$10.4 billion) and the newly industrializing countries of East Asia (\$16.4 billion). The size of our trade deficit with Japan (\$55 billion in 1986) has engendered a heated political debate around increased Japanese penetration of US manufacturing markets. The deficit with Japan amounts to about one third of our total trade deficit. Still, the magnitude and scope of the problem is clearly much more significant than the focus on Japan would suggest.

The declining competitiveness of US firms in world and domestic markets reflects a number of cyclical factors as well as various aspects of long term decline. Economists will continue to debate how much of the decline is due to the 25% increase in the value of the dollar relative to the Japanese Yen, which occurred between 1981 and 1985. They will argue about how much the subsequent decline of the dollar (by a nearly equivalent amount) will do to reverse the trend. Resolving this debate is

beyond the scope of this paper. Yet, given the fact that union membership in the US is disproportionately concentrated in import- and export-sensitive industries, the increased exposure to international competition has taken a significant toll on union members' jobs and on real (and nominal) wages. For example, one recent study links import penetration to lower wage settlements in the transportation equipment and other manufacturing sectors, and to lower levels of unionized employment in the apparel, rubber and plastics and fabricated metals sectors (Abowd 1987).

### Unemployment

Unemployment rates have also remained persistently high, but have nonetheless been lower than in many other OECD countries. The rate is currently 6.7%, a full percentage point higher than in 1979. Still, French, British and German unemployment levels have now risen above US levels (see Table 2).

Much of the long term component of current unemployment can be traced to employment declines, plant closings, and structural adjustments in high wage manufacturing industries like steel, meatpacking, and rubber. (Unfortunately, nation-wide data on plant closings are only available for the year 1982, so it is hard to make longitudinal comparisons). Between January 1981 and January 1986, 10.8 million jobs were "permanently" lost -- almost half of them by "experienced" (now considered officially "displaced") workers. A presidential task force comprised of academics, labor leaders and businessmen concluded that



"responses to worker dislocation from both government and the private sector have been spotty and narrowly focused, and the US lacks a comprehensive, coordinated strategy to deal with the problem" (Lovell 1986, p. 4). Legislation is now before Congress that would increase funding of programs for displaced workers and require employers to provide advance notice of plant closings.

#### Worker Dislocation, Demographic Changes and Employment Shifts

Worker dislocation appears to persist over long periods of time for a substantial minority of the workforce. One analyst estimates, for example, that about 8% of both men and women in their prime earning years, and active in the labor market were unable for a period of five or more years (in a ten year measurement period) to earn more than 50% of the median wage -- a level only sufficient to produce an annual income that approximates the poverty level for a family of four. Beyond these discouraging trends among low-earning workers there are trends to suggest it is becoming increasingly difficult for those who lose their jobs to find new ones. For example, 25% of men and women between 26 and 55 years old who lost their jobs before 1983 had been unable to find new jobs in 1984 -- over a year later (Osterman 1986).

While the problem of worker dislocation seems to have worsened in the past decade, a higher percentage of women are entering the workforce. The labor force participation of women has increased sharply during the post war period, and the female percentage of the total labor force in the US is surpassed only

by that of Sweden, among the countries in our study (see Table 3). By the same token, employment has declined in the traditionally unionized sectors of the economy, such as manufacturing, and has increased in traditionally non-union (and apparently hard to organize) sectors like retailing and services. Within the durable goods manufacturing industries, employment trends are more varied, dropping in subsectors like primary and fabricated metals and motor vehicles and equipment, but rising in machinery, and in electrical and electronic equipment (See Table 4).

It is clear, however, that more jobs are being created in the service sector than anywhere else. The Bureau of Labor Statistics estimates that ninety percent of current and future job growth will come from services. Some of these jobs command fairly high salaries and allow for opportunities for advancement and a good measure of job security. At the same time, however, many of these jobs are low paying and unstable, and between twenty to thirty percent are part time positions. In any case, service sector jobs on average are lower paying than jobs in the manufacturing sector, and income inequality has increased more rapidly since 1978 in services than in manufacturing. This rise in income inequality in services can be accounted for in substantial measure by two factors: the increase in the number of part time workers, and the drop in the annual wages of such workers. The overall level of income inequality increased so sharply in the seven years after 1978 that by 1985 it returned to 1965 levels (Tilly et al. 1986). (Interestingly, the entrance of

large numbers of women, youth and minorities into the workforce is not significantly linked to the increasing variance in service income distribution.) Finally, wage increases have been considerably lower in services (e.g., sectors like retailing, and finance, insurance, and real estate) than in the more heavily unionized mining, construction, transportation and public utilities sectors (See Table 5).

### The Decline in Unionization

There is no single cause that explains the magnitude of the decline in unionization experienced in the private sector of the US economy since 1960. Instead, most researchers now agree that a complete explanation must take into account changes in the structure of the economy, increased management resistance to unionization, increased management innovation in personnel and human resource policies, and the failure of the labor movement to develop new organizing and representational strategies that appeal to workers in the growth occupations and sectors (Farber 1985; Dickens 1983; Weiler 1983; Dickens and Leonard 1985; Freeman and Medoff 1984; Kochan, McKersie, and Chalykoff 1986; Kochan, Katz, and McKersie 1986). There is a vast and growing literature on this subject (see the citations above), which we need not review here. For our purposes, it is sufficient to note that all of the causal forces listed above have played important roles in the decline in union membership from 35% of the labor force in the mid 1950s to approximately 17% in 1986.

The decline of the more heavily unionized industries is paralleled by a number of other developments that are also

detrimental to the union movement. Many plants have cut costs by increasing their reliance on subcontracting and part time and temporary employment. For example, 30% of General Motors components are now produced by subcontractors; for Ford, this figure is 50%; and for Chrysler Corporation -- the third largest auto maker in the US -- that number is about 66%. Each of these firms would prefer to increase outsourcing in the future. However, contractual provisions negotiated with the Auto Workers in 1982 and 1984 impose significant costs on these auto makers if workers are displaced by outsourcing. Similar trends are visible in other industries. In the garment industry some employers have been able to shift the burden of insecurity onto part time and temporary workers. Doing so has been made easier by recent government legislation lifting long-standing restrictions on "home work". Taken together, these trends tend to lower unionization by creating a new workforce with interests that differ from the existing union membership, and/or which may be considerably more difficult to organize.

The difficulty of organizing new workers is enhanced also by employers' resistance to unionization, which has increased sharply since the early 1970s (Freeman and Medoff 1984; Kochan, Katz, and McKersie, 1986). For example, while the number of National Labor Relations Board union representation elections remained relatively constant between 1960 and 1980 (around 9,000 per year) the number of employer unfair (illegal) labor practices increased four-fold in that period. Furthermore, in 1980 one in twenty workers who favored bringing in a union were fired from

their jobs. In 1981 and 1983 (the last year for which the figures are available) the number of unfair labor practices dropped slightly to about 40,000, but the number of elections conducted has dropped to about 4,500 -- about half of 1980 levels (Labor Law Report 1987).

As noted by Freeman and Medoff (1984), the increase in the measure of employer resistance to unionization is not difficult to explain. Both the incentives and the ability to do so increased over the course of the 1970s. The motivation to resist unions increased because the union/nonunion wage and fringe benefit differentials increased from the 10% - 15% range of the 1960s to the 20% - 30% range of the 1970s. Moreover, the penalties for such violations of the law are quite mild, and their imposition is often delayed for years after the violation occurred. More importantly, illegal management opposition to unionization campaigns has been shown to increase significantly the probability that the union will be defeated in the election, or that it will fail to achieve an initial contract (Cooke 1986). Thus, over the past decade employers learned that the costs of unionization were increasing at the same time that the costs of avoiding unionization through both legal and illegal means were declining.

The combination of the decline of the (highly unionized) mature manufacturing sectors, the continued increase in both "low quality" and "high quality" service jobs, growing income inequality, persistently high unemployment, the increasing resort to "secondary" (subcontracted, part time and temporary)

employment and, importantly, the continued decline of unionization, has now come to place tremendous pressures on the decentralized and collective bargaining-oriented nature of the New Deal industrial relations system. Private experimentation and innovation in labor-management relations -- developments which deviate from the traditional pattern -- have grown at a quick pace in the 1980s, but it is not clear how successful such efforts will be. We now turn to consider the effects of all these environmental changes on employers, unions, and labor-management relations.

### THE COLLAPSE OF THE NEW DEAL MODEL

#### The Effects on Collective Bargaining

The globalization of markets and structural adjustments within the US economy have combined to make it more and more difficult for US unions to "take wages out of competition" through collective bargaining by standardizing costs among US producers. Table 6 shows the sharp decline in the average annual wage adjustment in major collective bargaining agreements (including over 1,000 workers) since 1970. First year contract increases dropped sharply from 9.8% to 3.8% in 1982, to 2.6% in 1983, and down to 2.3% in 1985 (See Table 6). (At the same time, the employment cost index has increased by about a third since 1981. See Figure 2.) The drop in wage increases in 1982 and 1983 was connected with the severe recession in those years. In 1983, of 3.1 million workers covered by major contracts, .8 million

received either a wage cut or no wage increase at all (Current Wage Developments April 1984). (US unit labor costs are still quite high, by OECD standards; see Table 7.)

Our analysis of the trends in wage determination in major collective bargaining units indicates that wage settlements averaged one to three percent below the settlements that would have resulted, had collective bargaining continued to follow the wage patterns of the 1970s. The largest deviations from earlier patterns were observed in the most centralized bargaining structures, and in those that relied most heavily on pattern bargaining (Kochan, Katz, and McKersie 1986). This again illustrates the fact that increased product market competition, combined with declining levels of unionization, produced a fundamental shift in wage setting institutions and in collective bargaining outcomes of the early 1980s.

Some part of the decline in the amount of wage increase in new collective bargaining contracts can be attributed to a spate of labor "concessions", beginning in 1979 with the highly publicized bailout of Chrysler Corporation by government loan guaranties and employee wage concessions. Labor concessions, including wage and benefit cuts and freezes and productivity-enhancing work rule changes, can be found in fully 44% of all major collective bargaining contracts negotiated in 1982 and 1983 (Cullen 1985). While those two years were marked by unusually deep recession (some say depression), concessions have been made since then, in more stable years and in plants and firms that are in fact still earning substantial profits. In

airlines, for example, unions were forced to grant concessions even at the financially strongest carriers in the industry (such as American and United Airlines) even after the end of the recession (Cappelli 1986). More recently, firms have begun to give lump sum bonuses rather than increases that are permanently built into the wage and benefit base. Although the data on these bonuses are still quite limited, the Bureau of Labor Statistics estimates that in 1986 as many as 40% of major contract settlements provided lump sum or other kinds of bonuses in lieu of increases in base wages.

Wages are still relatively high in the US, however. For instance, Table 8 shows that production workers in manufacturing still earn about as much as or more than similar workers in all the other countries in this study. Moreover, the downward pressure on US wages is likely to continue, given the comparatively low wages of the newly industrializing countries in the Pacific Basin, Mexico, and Latin America. Table 9 presents data on average hourly compensation costs as a percentage of US wages, for selected countries which are often attractive to US firms making product sourcing and plant location decisions. Given the wide disparities in labor costs, it is clear that US workers and unions will continue to find it difficult, if not impossible, to "take wages out of competition" by traditional means. New strategies for encouraging American employers to compete on some basis other than labor cost will be required if the erosion of American manufacturing jobs and workers' incomes is to be stemmed.



Because the US Department of Labor does not collect contract settlement data for units of less than 1,000 workers, it is difficult to state precisely the extent and nature of concessions over the past half dozen years. However, another indication of the relative prevalence of labor concessions is the widespread emergence of so-called "two tier wage scales". These wage structures create a "B Scale" (as opposed to "A Scale") or "lower tier" wage rate for new hires, thereby cutting future labor costs while avoiding cutting into the wages of workers who must ratify the contract. In 1984, only 4% of all non-construction contracts included two-tier provisions, but by 1985 that figure had doubled, and in 1986 10% of non-construction contracts included them. In certain industries, the two tier provisions are much more prevalent. In airlines, for example, 70% of all 1986 contracts included a two tier scale, up from 62% in the previous year and 35% in 1984 (Daily Labor Report, February 1987). Two tier wage scales have also been fairly common in railroads and in the retail food sector.

The growth of labor concessions such as wage cuts and two tier wage scales has the effect of increasing local contract diversity, since such contract changes tend to be negotiated at plants and firms in particularly unstable financial condition. Thus, a national union may have some locals whose contracts still resemble an industry-wide pattern (or perhaps a firm-wide standard contract), and other locals that are forced to alter the contract significantly in light of firm- or plant-specific economic problems. Bargaining in the auto, rubber, airline and

meatpacking industries (among others), once based on patterns that helped workers achieve steady contract increases, now proceeds on a firm-by-firm and plant-by-plant basis. In 1986 the major steel companies bargained separately with the Steelworkers Union for the first time in over twenty years. Industry level bargaining, conducted among the union(s) and employers throughout an entire economic sector, is now a rare event (Freedman and Fulmer 1983). The determination of wages and working conditions is more and more linked to the performance of decentralized business units. Workers in the same industry, and even in different plants within the same firm, have been delegated significantly different wages and working conditions. Local collective bargaining contracts increasingly contain "riders" modifying and adapting the national contract to the specific conditions of different plants and local business units (visible, e.g., in trucking).

Another device for increasing labor cost flexibility is contingent compensation, such as profit sharing and employee stock ownership. The workers at many airline and trucking concerns, for instance, were granted stock in lieu of wage increases (and in most cases on top of wage cuts) during the early 1980s, when the impact of deregulation was so sharply felt in both of those industries. In some cases, the companies in question have gone bankrupt despite labor concessions, leaving the stock worthless, and leaving no profits to share. In other cases, however, the workers have materially aided the companies involved. At Western Airlines, for example, workers took

substantial pay cuts in return for profit sharing and stock ownership, thereby arguably enabling the company to survive. Though the carrier is now owned by Delta Airlines, a larger non-union company, the workers at least were able to maintain their jobs, restore some of their concessions through profit sharing, and see the value of their stock increase almost five-fold. At the time of the merger with Delta, most Western employees recovered an estimated 75-90% of the wages they gave up in concessions (Wever 1986). Similar stock plans have been negotiated at other troubled airline carriers and trucking companies.

Whatever the effect on job security, the increase in the scope and degree of local contract diversity has produced sometimes bitter power struggles and political conflicts between local unions, on the one hand -- for whom flexibility and diversity are often associated with survival (as well as organizational autonomy) -- and national union leaders, on the other -- whose central authority and coordinating and standardizing functions are threatened by this diversity. Conflicts of this nature have emerged over the last five years in such major unions as the Air Line Pilots Association (ALPA), the International Association of Machinists and Aerospace Workers (IAM), the United Rubber Workers (URW), the United Food and Commercial Workers (UFCW), and the United Auto Workers (UAW). For example, ALPA has intervened in local contract negotiations to minimize particular kinds of concessions; the IAM placed a local union in trusteeship, taking over all local functions,

because of the local's willingness to grant contract concessions.

Partly because of these organizational struggles, and largely because of the more general decline in labor's power and influence, there have been relatively few strikes or lockouts since the beginning of this decade. Although the Bureau of Labor Statistics no longer collects the data needed to determine the total number of strikes occurring in a given year, trends in strikes involving more than 1,000 workers are available, and clearly suggest that industrial action has declined sharply in this decade. For example, the number of stoppages fell from 424 in 1974 to 145 in 1981, and 54 in 1985 (see Table 10). However, the latest Department of Labor statistics show an increase to 66 in the number of strikes in 1986 -- the first increase this decade. The number of lockouts (work stoppages initiated by employers), at 41, was also up 44% from 1985 (Daily Labor Report, March 1987).

There have been a number of highly visible and particularly prolonged and bitter labor disputes in the 1980s. Strikes at Continental Airlines and at Phelps Dodge (a large employer in the copper industry) symbolize the stakes involved. In both cases the imposition of large wage cuts ended only with the decertification of the unions. More recently, a five month strike by the Steelworkers against the USX Corporation, the industry's largest employer, illustrated an increasingly typical conflict. The company's management style was distant, and its business strategy was increasingly focused on expansion in nonunion areas. Meanwhile, the union was determined to reject

any concessions to the company unless these were accompanied by a variety of new industrial relations programs designed to increase communications between the parties and expand the scope of their relationship over the long term. These included profit sharing, enhanced job security against subcontracting and a broadly cooperative forum for labor-management discussions. In other words, the fundamental industrial relations goals of the two parties were completely contradictory.

Thus, the role of the strike has also changed in important ways in this decade. What once was an application of union bargaining power to achieve marginal improvements in employers' wage offers, now has become a defensive battle over the basic principles and sometimes basic survival of the bargaining relationship.

#### Union Involvement in Strategic and Workplace Management

Measures to increase communication and cooperation between labor and management have generally occurred at two levels of the labor-management relationship other than that of traditional collective bargaining. First, in some cases unions have been involved in strategic management decision making (at a level above the normal reach of collective bargaining). Such involvement has taken the form of informal information sharing and regular meetings (such as between Xerox and the Amalgamated Clothing and Textile Workers Union -- ACTWU) and sometimes formal union involvement through seats on boards of directors (for instance, at several airline carriers and trucking companies) or

permanent positions on plant management or steering committees (as at General Motors' Fiero plant, where the workers are represented by the United Auto Workers).

In some cases unions have become involved in the development of new mechanisms to regulate and facilitate the introduction and implementation of new technologies in a variety of sectors, ranging from communications and defense contracting to basic manufacturing. The International Association of Machinists at Boeing, for example, have been able to gain some increase in leverage at the collective bargaining table. Union influence regarding the introduction of new technologies (and concerning the effects of such technologies on jobs) has been granted in return for labor concessions in some other area, such as flexibility in the utilization of workers. However, union involvement in the technological decision making realm has only spread to a limited number of settings, and generally focuses only on adjusting to the effects of new technology. Moreover, union participation in the planning and design phases of technological change is still quite rare and experimental in nature.

Indeed, union participation in strategic management decision making is still extremely limited in scope and impact, and experimental in nature. Yet these limited experiments can have profound consequences, since they represent a fundamental departure from the New Deal idea that it is management's prerogative to make these decisions without union involvement. Given the range of choices contemporary firms face in determining

their competitive strategies, investment decisions, location decisions, product sourcing, technology policies, etc., and given the effects that decisions taken at this level have on employees' welfare, we expect labor representatives to continue to press for expanded influence at this level. However, to do so unions will have to overcome strong managerial resistance to the expansion of labor's role, and break with the long-standing business unionist principle of avoiding involvement in managerial affairs. Thus, while experimentation with new forms of participation and information sharing over strategic issues is likely to continue, such developments will continue to be the focus of considerable debate and conflict, both within and between labor and management groups.

A second new form of labor involvement in management decision making takes place on the shop floor or at the workplace (below the level of collective bargaining). Experiments of this kind include Quality of Worklife (QWL) programs and autonomous work groups (as between th ACTWU and Xerox) and many less extensive programs directly involving workers in decisions about how they do their jobs. While the initial focus of QWL programs initiated in the 1970s was to improve the climate of the workplace and the satisfaction and motivation of the workforce, more recently these efforts have been aimed more directly at increasing productivity and enhancing quality. Indeed, our own studies have shown that unless worker participation programs address the basic economic needs of employers as well as enhancing the economic security of the employees, they are

destined to comparatively marginal status (Kochan, Katz, and Mower, 1984).

It is clear, however, that there are still only a few comprehensive and lasting programs for involving unions in such joint activities. One reason for this is that meaningful and sustainable participation efforts require a deep commitment on the part of both labor and management to cooperate at every level of industrial relations (MIT Industrial Relations Section 1987). That is, based on the case studies our research group has tracked, we have concluded that unless participation and cooperation expand gradually over time to encompass broader issues, and unless they are reinforced through collective bargaining activities and at strategic levels of decision making, these experiments are unlikely to be institutionalized into on-going industrial relations practices. The most successful of these cases are ones in which the parties have gone beyond narrow QWL programs to pursue problem solving and participation processes that address more general issues. For example, in a number of cases we have been following, the parties have begun to make significant changes in the organization of work and the use of new technology. In others, joint efforts have produced new forms of work organization that emphasize the use of teams, fewer job classifications, and new compensation systems. Again, however extensive use of participation and continuous union-management cooperation is, to date, found only in a minority of bargaining relationships in the US



## The Range of Management Strategies

The ability of any union to become involved in workplace and strategic management decisions is of course strongly influenced by management's willingness to "let the union in" to these new areas of industrial relations activity. In the US, the range of managerial strategies in this respect is wide. Three typical and quite distinct approaches can be identified.

The first kind of management strategy towards increasing the scope of labor-management relations is generally found in companies that are heavily or entirely unionized, and that have experienced moderate to strong increases in competitive pressures in the 1980s. In these cases the costs to management of union avoidance are high, and therefore the firm needs cooperation from its union(s) if it is to meet its competitive challenges. Thus these employers often seek a (limited) partnership with the union(s). A typical example of such a relationship is that between the United Auto Workers (UAW) and General Motors (GM) Corporation.

Since 1973, the UAW and GM have expanded what started out as narrow QWL programs in specific plants to encompass a broader array of joint activities. In 1982, for example, a joint UAW-GM Human Resource Center was established to administer a variety of worker and union leadership training and education activities. In a growing variety of GM plants the union and the company have experimented with new team-based work systems that are designed to increase flexibility. In 1983 the company and the union began jointly to plan for the design of its new Saturn Division to

produce small cars in the US. The industrial relations system in this new division calls for voluntary recognition of the union and participation of union representatives at all levels of the organization from the shop floor to the top executive group and board of directors. This new level of union involvement is paralleled by a new cooperation system, a team form of work organization, and a commitment to the principles of compensation and consensus decision-making. An equally radical departure from the traditional New Deal model is found in the UAW-Toyota-GM joint venture plant called the New United Motors Manufacturing Incorporated (NUMMI). Similar, but perhaps more limited experiments with a new industrial relations model are found in Ford and Chrysler, as well as a limited number of other highly unionized firms in the US.

The second typical management strategy is quite different from the approach at GM. This second approach might be termed the successful union avoidance strategy. Large and well known companies approaching this model include International Business Machines (IBM) and Delta Airlines. The nonunion (or union avoidance) strategy is often, but not always, associated with a low level of unionization throughout the industry. For example, the high technology computer industry in which IBM is the leader is barely unionized at all. In such a sector the incentive to remain nonunionized is extremely high because of the need (among other things) to maintain flexibility and labor cost competitiveness.

However, Delta Airlines faces a somewhat different

situation. This company operates in an industry which has long been (and continues to be) highly unionized. The carrier has used a number of methods to keep unions out, including paying the highest wages in the industry, and aggressively resisting unions that have tried to organize portions of the workforce. Over the years, Delta has developed a reputation for being a leader in human resource management techniques which are associated with high levels of job satisfaction and company loyalty among many of its employees. Moreover, Delta, like IBM and many other companies following this nonunion model, have worked hard to provide their workers something approaching lifetime job security. The promise of such employment stability can serve as a strong impetus for employees to reject unionization bids.

While few other nonunion firms are as innovative in their human resource management policies as are Delta or IBM, enough nonunion employers have adopted enough elements of this model to contribute to the decline in unionization in the US (Kochan, McKersie and Chalykoff 1986). There is little reason to expect any significant change in the policies of these firms or in the results they achieve.

The third type of management approach to unions is found in cases where the company in question has some significant portion, but not all of its facilities unionized. Examples include General Electric as well as the vast majority of other large, multidivisional US firms. In these cases management faces a choice. It can target corporate resources at its nonunion facilities and expanding in areas where the union(s) can be

avoided. Alternatively, it can reinvest in and retrofit existing union facilities and "let the union in" to new facilities on the basis of increased labor participation as well as a competitive and flexible set of production processes. The latter choice is clearly more difficult to make when competitors are entirely nonunion, and the prevailing union/nonunion labor cost differential is high.

Firms in this category generally have been successful in separating their union and nonunion establishments and strategies. Few union leaders have been willing to cooperate with management in existing establishments under these conditions, however. How this group of firms and union leaders responds in the future will have a critical effect on the type of industrial relations system that evolves in the US in the years ahead.

#### Changes within the Union Movement

The pressures outlined above, and the fundamental changes in industrial relations they have produced in the 1980s, have plunged the labor movement into what promises to be a sustained period of debate over its future strategies. The stakes involved in these debates appear to be every bit as profound as those of the 1930s between advocates of industrial unionism and those who favored maintenance of craft unionist organizing principles. In any case, it is clear that some new strategies for organizing and for representing American workers will be needed if the labor movement is to reverse its long term declines in membership, and

to regain its reputation as a stimulus to innovation in working conditions.

One step in the direction of suggesting a broader agenda for future union activities was taken by the AFL-CIO's Committee On the Future of Work (1985). This committee was established by the AFL-CIO executive council in 1982, and charged with the task of evaluating the current state of the labor movement's strategies for promoting the economic and social interests of American workers. It brought together the presidents of about twenty major unions with AFL-CIO officers and staff, to analyze data and discuss evidence on the state of the labor movement. The Committee issued a lengthy report in 1985 suggesting possible strategies for the revitalization of the labor movement. These include the possible extension of "associate membership" status (an individual membership option for workers who are not in a formal collective bargaining unit), financial and other services (designed to broaden the functions the union performs for its members), and a variety of more familiar ideas including the use of "corporate campaigns" (designed to neutralize employer opposition in organizing drives or in contract disputes and more positive media coverage. While the Committee's suggestions have sparked considerable interest and internal debate, many of its ideas are difficult to implement. The net effects of the Committee's efforts will therefore not be clear for some time to come. At this point, however, it is fair to say that there is no consensus either among the top union leaderships in the country, within the AFL-CIO or among local union leaders as to a new set

of strategies for the US labor movement. Instead, we are likely to see a prolonged period of experimentation, change, internal political debate and conflict that will be consistent with the decentralized structure of the labor movement and the US industrial relations system.

The lack of consensus within the labor movement as to the appropriate line of action is one (of many) factors contributing to the limited diffusion of labor-management cooperation schemes in the US. As noted above, no such arrangements have been established at the national level. There have been a few isolated cases of (usually short-term) union involvement in industry level productivity-enhancing programs, involving for example the International Masonary Institute and the Joint Labor-Management Committee in the Retail Food Industry. However, the credo of both unions and managements in the US has historically been to "let management manage", so most managers as well as union leaders still approach these joint initiatives with a great deal of caution. Indeed, many of these experiments have been initiated primarily (or at least partly) in response to severe economic pressures, where union involvement in management decision making has been granted only as a "quid pro quo" for labor concessions. Sustaining and diffusing these joint activities will require that union and management leaders make the strategic choice to depart from these traditions.

A few unions have begun to take steps in the direction of re-educating their local leaderships and members as to such novel forms of strategic planning and joint participation with

management outside the arena of collective bargaining. One example of such a program is an extensive and jointly funded United Auto Workers (UAW)/General Motors (GM) "Paid Education Leave" (PEL) program, in which the entire GM local leadership is being sent through four weeks of training concerning the economic, political and industrial relations challenges of the day. Yet, not surprisingly, many unions (including the UAW) are undergoing a period of intense debate, intra-organizational conflict and political factionalism around a variety of potential strategic adjustment approaches. Training of this sort is clearly the exception rather than the rule.

#### Government Policy

Government labor policy is currently subject to the same measure of internal debate, uncertainty and contradiction as are the strategies of labor and management. On the one hand, labor policy in general and the NLRB in particular have taken a decided turn toward a more conservative and pro-business posture, consistent with the philosophies of the Reagan administration (Levitan et al. 1986; Morris 1987). At the same time, within one branch of the US Department of Labor there have been some major new initiatives to support innovations in industrial relations. The Bureau of Labor-Management Relations and Cooperative Programs has become increasingly committed to promoting labor-management cooperation, and to developing a network of professionals who share an interest in establishing a new agenda to include a prominent role for organized labor. This, however, is the extent of government involvement in the development of constructive

adjustment mechanisms in the area of labor-management relations.

More recently, in the wake of a Congressional impasse, the Secretary of Labor established a labor-management task force to explore policies for workers permanently displaced because of plant shutdowns or large scale lay-offs (discussed briefly above). The task force recommended the enactment of a new \$900 million program of enhanced training and labor market services for displaced workers. But while members of this group were able to agree that advance notice of plant closing is desirable, the management representatives could not reach consensus on whether or not such provisions should be required by law (Lovell 1986). This issue is once again being debated in the Congress, and is widely expected to result in legislation. A general interest in a variety of labor and employment policy issues has again surfaced in the Congress, after a prolonged period of lack of attention to these problems. Hearings and debates are currently underway on such issues as the minimum wage, health insurance, and a variety of aspects of trade policies. This increased interest is largely due to the fact that the Democratic Party regained a majority of the seats in the Senate in 1986. Labor and employment issues are at least temporarily elevated to a higher position on the national agenda. Whether this results in a visible or significant shift in the content of national labor and/or employment policy still remains to be seen.

Some limited adjustments to structural change have been undertaken by the government. The Job Training Partnership Act (JTPA) of 1981 created the framework for a decentralized set of



mechanisms for the development of local employment policies. The JTPA was designed to allow leaders in local government, industry and education to cooperate in the management of technological transition, thus minimizing workers' job loss and displacement. But while the principle underlying these efforts is sound, and the goals are broadly shared, funding of JTPA has been reduced to only about 50% of annual employment and training expenditures during much of the 1970s (Levitan et al. 1986). As such, its real potential efficacy has not been tested and its concrete value cannot be judged. Indeed, the federal government's General Accounting Office (GAO) admits to the very limited effects of the program, citing that only about 7% of those even eligible for JTPA assistance have been able to avail themselves of the needed services (Daily Labor Report, March 1987).

### CONCLUSIONS

Whatever adjustments to industrial relations may occur in the short run, it is highly likely that the unionized percentage of the U.S. workforce will continue to decline as it has over the past few decades. The internationalization of the US economy has its severest impact on sectors that are most highly unionized. The movement of capital (either out of the country or from union to nonunion establishments or division of US firms) will continue to have major effects on union employment (Bluestone and Harrison 1982). The growth sectors, mostly in services, tend to create jobs that the labor movement has so far failed to organize, in part as a result of prevailing labor laws and

labor's traditional organizing strategies. The diffusion of new technology will continue to reduce the labor content required for many manufacturing processes. To avoid further reductions in union jobs would require a combination of economic growth fueled by product innovation in manufacturing firms and service sectors, and new, successful union organizing efforts.

While the AFL-CIO and some unions have identified a series of new measures for organizing traditionally unorganized workers, few of these ideas have been implemented in practice, and many of them are the subject of much controversy within the labor movement. For instance, the AFL-CIO's consideration of associate membership is quite controversial. While this technique may increase membership, some claim that it will divide the ranks of workers and undermine worker solidarity.

Indeed, controversy characterizes other issues touching the labor movement as well. Conflicts between local and national unions concerning the appropriate response to employer demands for concessions have flared up in the International Association of Machinists in 1982 and 1983, and in the Air Line Pilots Association in 1983 and 1984. In both cases the central leadership was less willing to make concessions than the local leadership. But in other cases (involving, e.g., the United Food and Commercial Workers and the United Auto Workers, among others) the situation has been reversed. More subtle conflicts have emerged in major unions like the Communications Workers and the Auto Workers regarding appropriate extent and nature of flexible approaches to work organization and contingent wage mechanisms

(some of which, as at General Motors' highly publicized Saturn plant, represent significant departures from traditional shop floor labor-management relations and divisions of labor). There is no question that there is a substantial amount of controversy and debate within the labor movement as to the validity and desirability of various experiments with "non-traditional" labor-management relations.

Nonetheless, as noted above, quite a bit of change and innovation in these areas has already occurred. In a typically decentralized fashion -- but also in a wide range of settings -- unions and managements (and, sometimes, local governments) have engaged in new methods of dealing with each other in the process of negotiations, in shop floor or workplace relations, and in the domain of strategic managerial decision making. In the 1970s such developments were sporadic and often not sustained. In the early 1980s they were often identified with the need to respond to severe economic crisis. But as we near the end of the decade, some of these developments appear to have taken on a more permanent quality, especially where they are integrated into a deeper transformation of managements' business and technological strategies. In certain industries (as, e.g., in autos), the question is no longer whether to adopt such innovations, but which innovations to adopt, and at what pace to adopt them.

However, it is still entirely unclear whether these kinds of industrial relations changes can be diffused to permeate the economy and transform the fundamental nature of the relationship between the parties. Indeed, although systematic quantitative

data are not available, our impression is that the rate of such diffusion may have slowed somewhat since the earlier part of this decade. The extreme decentralization of U.S. industrial relations and the historical reluctance of the government (especially at the federal level) actively and visibly to articulate a clear policy on these issues may inhibit the diffusion and institutionalization of these developments. Therefore, we believe that these two features of U.S. industrial relations -- the decentralized locus of labor-management adjustments, and the laissez-faire approach of the government -- need to change as necessary (but not sufficient) preconditions to the broader application of the developments discussed above. Put differently, local unions and managements need the support of their national counterparts and of the government, in their efforts to adjust.

It will be difficult for many employers to make the necessary changes. To begin with, top corporate executives will have to commit their firms to long term business strategies capable of maintaining employment in the US, rather than taking advantage of lower labor costs in other countries. Firms that do so will need to re-educate their managers to think of unions as institutions that (among other things) contribute to the productive process. The historical aversion to unions among US managers will render this shift in outlook and strategy difficult. Indeed, all indications are that the current level of anti-unionism is more intense than it has been at any other time since the Great Depression.

Moreover, there is little doubt that management has been the dominant actor in forcing changes in American industrial relations in recent years. This trend began with more aggressive and sophisticated strategies to avoid unions in the 1960s and 1970s, and then continued in the 1980s with the introduction of changes in collective bargaining. This proactive posture on the part of management is likely to prevail at least in the near future, given the sustained competitive pressures and technological changes occurring in world markets, and given the relative weakness of American unions. The central question is, What directions will managerial industrial relations initiatives take in the years ahead?

Given the historic aversion to unions which is so deeply ingrained in the culture of the American managerial community, there is no doubt that those firms that are currently not unionized, like those partially unionized firms that see viable opportunities for avoiding further unionization, will continue to follow "union avoidance" strategies. No significant changes in management strategies are therefore likely in such firms. Likewise, firms with very high percentages of their labor force unionized that lack viable non union options are likely to continue to press aggressively for changes and innovations in collective bargaining and industrial relations, along the model presented by GM and the UAW. They are likely to do this in concert at all levels of their labor-management relationship.

The pivotal settings will be those cases that fall in between these two extremes. Will partially unionized firms

policies that expand and sustain innovations that require a broader role for unions? Or will they escalate their efforts to limit union influence, and channel more resources into union avoidance? The latter course is more likely, unless unions are able to raise the costs of pursuing this route and to promote and demonstrate the value of industrial relations changes which entail broader forms of worker and union participation at the workplace, in bargaining, and in strategic decision making. Thus we believe the future of management policies in these partially unionized firms could be influenced by the strategies adopted by the unions that currently represent their employees. The more these unions cling to their traditional roles within the New Deal system, the more freedom and incentives management will have to pursue a union avoidance strategy. On the other hand, the more aggressively unions promote new forms of participation in strategic and workplace issues, the more directly they will force employers to choose between greater cooperation, flexibility, and innovation versus greater confrontation and resistance to change.

Taking this latter course will not be easy for organized labor. Unions still face difficult strategic questions of their own. The need for political strategies has become evident with the increasing failure of traditional economic approaches. Still, questions and controversies abound as to which political strategies should be adopted, and what portion of the labor movement's scarce resources should be allocated to these endeavors. Important pieces of the collective bargaining process itself must also be preserved, in order for unions to be able to

exert sufficient leverage to shape the new and non-traditional aspects of the labor-management relationship.

Much of the impetus for change will need to come from the unions, for it is the labor movement that faces the most immediate incentives to change the nature of U.S. industrial relations. Even assuming a vibrant and creative labor response to the current difficulties, however, it is not at all clear whether the changes enumerated above will (or how they would) come to pass. It is quite possible, indeed likely, that things will go on much as they have for the first three quarters of this decade, with union membership continuing to decline. After all, the turmoil associated with the deep recession of the early 1980s appears to have passed without engendering much social, political or economic change. If the next seven years continue as the last seven years have gone, however, the chances for incremental and consensual changes will be increasingly diminished; more dramatic, more abrupt and less controlled changes would then be much more likely.





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**Figure 1**  
**Union Membership and Income: 1984;**  
**Ten Largest US Unions**

	Membership (000's)	Income (000's)	Net Income After Expenses (000's)
Teamsters (IBT)	1,523	90,389	9,631
National Education Association (NEA)	1,444	77,293	3,764
Food and Commercial Workers (UFCW)	1,068	79,094	7,026
Auto Workers (UAW)	904	363,223	105,257
State, County and Municipal Employees (AFSCME)	955	39,982	1,480
Electrical Workers (IBEW)	998	118,825	29,706
Steel Workers (USW)	474	153,171	31,121
Carpenters	589	58,858	20,067
Service Employees (SEA)	579	18,027	2,469
Communication Workers (CWA)	578	58,086	3,671

Source: Union Sourcebook, Industrial Relations Data Information Services, West Orange, NJ, 1985.

Table 1

Annual Average Output Per Hour  
(1977=100)

	1970	1973	1976	1979	1981	1983	1985	1986*
Business	88.4	95.9	98.3	99.6	100.7	103.0	106.4	107.4
Nonfarm Business	89.3	96.4	98.5	99.3	99.3	102.4	104.8	105.8
Nonfinancial Corporations	91.1	97.5	98.4	99.8	99.6	103.5	10.8	106.9
Manufacturing	80.8	93.4	97.1	101.4	103.6	112.0	121.7	125.8

\*Figures from third quarter.

Source: Monthly Labor Review, Bureau of Labor Statistics, Washington DC, January 1970 to February 1987.

Table 2  
Comparative Civilian Unemployment

	1970	1974	1977	1980	1983	1984	1985	1986
United States	5.9	5.6	7.1	7.1	9.6	7.5	7.2	6.9
France	2.7	2.9	4.9	6.5	8.8	9.9	10.4	10.7
Germany	.6	1.6	3.5	2.9	7.3	7.8	7.9	7.5
United Kingdom	3.9	3.1	6.3	7.0	13.4	12.9	13.1	13.3*
Sweden	2.6	2.0	1.8	2.0	3.5	3.1	2.8	2.6

\*Second quarter figures.

Source: Monthly Labor Review, Bureau of Labor Statistics, Washington DC, January 1970 to February 1987.

Table 3

Comparative Female Labor Force Participation

	1971	1974	1977	1980	1983
United States	43.4	45.7	48.4	51.5	52.9
France	39.8	41.6	44.2	42.7	N/A
Germany	38.5	38.8	37.8	38.2	N/A
United Kingdom	42.5	46.2	47.5	48.5	N/A
Sweden	50.9	53.3	56.7	59.3	61.2

Source: Handbook of Labor Statistics, Washington DC, Bureau of Labor Statistics, June 1985.



Table 4

Total Employees and Production Workers on Durable  
Goods and Manufacturing Payrolls by Industry (000's)

	1971	1974	1977	1980	1983
Total	10,636	11,925	11,597	12,187	10,774
Stone, Clay, Glass	664	707	668	662	512
Primary Metals	1,171	1,288	1,181	1,142	838
Fabricated Metals	1,480	1,638	1,582	1,613	1,373
Nonelectrical Machinery	1,815	2,208	2,174	2,494	2,038
Electrical and Electronic Equipment	1,744	1,987	1,878	2,090	2,023
Motor Vehicle and Equipment	848	907	947	788	757

Source: Handbook of Labor Statistics, Washington DC, Bureau of Labor Statistics, 1985.

Table 5

Average Hourly Earnings of Production and Nonsupervisory Workers  
on Private Nonagricultural Payrolls

	1971	1974	1977	1980	1983
Total Private	3.45	4.24	5.25	6.66	8.02
Mining	4.06	5.23	6.94	9.17	11.27
Construction	5.69	6.81	8.10	9.94	11.92
Manufacturing	3.57	4.42	5.68	7.27	8.83
Public Utilities and Transportation	4.21	5.41	6.99	8.87	10.80
Retail	2.60	3.14	3.85	4.88	5.74
Finance, Insurance and Real Estate	3.22	3.77	4.54	5.79	7.29
Services	3.04	3.75	4.65	5.85	7.30

Source: Handbook of Labor Statistics, Washington DC, Bureau of Labor Statistics, 1985.

Table 6

Changes in Contract Settlements 1970-1985  
(Contracts Affecting Over 1,000 Workers)

	1970	1972	1974	1976	1978	1980	1981	1982	1983	1984	1985	-
First Year Increase	10.9	7.3	9.8	8.4	7.6	9.5	9.8	3.8	2.6	2.4	2.3	
Increase Over Life of Contract	8.9	6.4	7.3	6.4	6.4	7.1	7.9	3.6	2.8	2.4	2.7	
Average Cost of Living Increase	.6	.7	1.9	1.6	2.4	2.8	3.2	1.4	.6	.9	.7	

Source: Current Wage Developments, Washington DC, Bureau of Labor Statistics, 1970-1987.

Figure 2

Employment Cost Index  
Civilian Workforce

June 1981	100.0
December 1981	104.5
December 1982	111.3
December 1983	117.8
December 1984	123.9
December 1985	129.2
December 1986	133.8

Source: Department of Labor, Bureau of Labor Statistics, News, Washington DC, January 1982 to January 1987.

Table 7

	<u>Comparative Unit Labor Costs</u> <u>(1977 Constant Dollars)</u>						
	1960	1970	1974	1979	1981	1983	1985
United States	58.7	70.9	84.1	117.0	140.1	144.5	145.0
France	41.7	46.8	74.5	135.5	132.2	112.9	102.6
Germany	25.9	42.9	79.1	135.9	124.9	113.4	98.6
Sweden	30.1	41.1	65.1	112.9	115.4	80.4	79.1
United Kingdom	44.4	54.4	80.1	163.9	203.1	159.4	147.3

Source: Monthly Labor Review, Washington DC, Bureau of Labor Statistics, February, 1987.

Table 8

Hourly Compensation Costs  
for Production Workers in Manufacturing  
(in U.S. Dollars)

	1975	1977	1979	1981	1983	1984	1985	1986
United States	6.35	7.59	9.07	10.95	12.26	12.40	12.82	13.09
France	4.58	5.31	7.85	8.16	7.66	7.48	7.71	10.45
Germany	6.19	7.80	11.29	10.54	10.41	9.44	9.60	13.44
United Kingdom	3.26	3.36	5.50	7.13	6.48	5.88	6.14	7.46
Sweden	7.18	8.88	11.33	11.80	8.97	9.17	9.66	12.23

Source: Monthly Labor Review, Bureau of Labor Statistics, Washington DC, February 1987.

Table 9

Comparative Hourly Compensation Costs for Manufacturing Production Workers  
(US = 100)

	1975	1977	1979	1981	1983	1985	1986
Canada	92	95	86	87	92	85	84
Brazil	14	15	16	15	11	10	N/A
Mexico	31	23	27	34	15	16	N/A
Hong Kong	12	14	15	14	13	14	14
Japan	48	53	61	57	41	40	73
Singapore	13	12	14	17	18	19	N/A
Taiwan	6	7	9	11	11	11	13

Source: U.S. Bureau of Labor Statistics, Washington DC, February 1987.

Table 10

Work Stoppages Involving Over 1,000 Workers

	1971	1974	1977	1980	1983	1985	1986
Number of Stoppages	298	424	298	187	81	61	69
Number of Workers Involved (000's)	2,516	1,796	1,212	795	909	323	533
Number of Days Idle (000's)	35,538	31,809	21,774	20,844	17,461	7,079	11,861
Percentage of Estimated Days Lost	.19	.16	.11	.09	.08	.03	.05

Sources: Handbook of Labor Statistics, Washington DC, Bureau of Labor Statistics, 1985; Daily Labor Report, Washington DC, Bureau of Labor Statistics, March 1987.

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